

Message Text

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SUBJ: SUMMARY OF ECONOMIC TRENDS REPORT FOR BURMA

BELOW IS SUMMARY OF RANGOON'S ANNUAL ECONOMIC TRENDS REPORT FOR BURMA. FULL REPORT BEING POUCHED TO DEPARTMENT.

1. BURMA'S AGRICULTURE-BASED ECONOMY EXPANDED AT A MODERATE RATE LAST YEAR AS IDEAL WEATHER CONDITIONS CONTRIBUTED TO INCREASED OUTPUT OF NEARLY ALL CROPS. OTHER PRODUCTIVE SECTORS, PERHAPS SPURRED BY THE INCREASED AGRICULTURAL OUTPUT, ALSO RECORDED INCREASES OVER THE PREVIOUS YEAR. POORER WEATHER CONDITIONS DURING THE 1977/78 GROWING SEASON, HOWEVER, MAY MEAN THAT BURMA'S ECONOMY WILL RECORD SOMEWHAT LOWER GROWTH AT THE END OF THE PRESENT FISCAL YEAR PERIOD.

2. INFLATION, WHICH HAD BEEN A MAJOR PROBLEM IN BURMA FOR SEVERAL YEARS, LEVELED OFF SIGNIFICANTLY LAST YEAR. AN IMPROVED FISCAL POSITION MADE GOVERNMENT RE COURSE TO BANK FINANCING UNNECESSARY. THIS HELD DOWN EXPANSION OF MONEY SUPPLY WHICH IN TURN CONTRIBUTED TO A DRAMATIC REDUCTION IN THE INFLATION RATE. LOWER PRICES FOR FOOD AND OTHER AGRICULTURAL PRODUCTS AS THE RESULT OF THE GOOD HARVESTS ALSO HELPED REDUCE CONSUMER UNCLASSIFIED

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COSTS. INFLATIONARY PRESSURES MIGHT REVIVE OVER THE COMING YEAR AS THE POORER HARVEST AND AN ANTICIPATED BUDGET DEFICIT COULD COMBINE TO DRIVE UP PRICES.

3. GREATER EXPORT VOLUME FOR RICE AND HIGHER INTERNATIONAL PRICES FOR TEAK, BURMA'S TWO LEADING FOREIGN EXCHANGE EARNERS, LED TO A RISE IN EXPORT VALUE LAST YEAR. IMPORTS DECLINED

SOMEWHAT, REDUCING THE NATION'S CHRONIC TRADE GAP. HOWEVER, THE OVERALL BALANCE OF PAYMENTS REMAINED IN DEFICIT, AND BURMA WAS FORCED TO DRAW DOWN ON ITS FOREIGN EXCHANGE RESERVES. FOREIGN DEBT INCREASED, BUT THE HIGHER EXPORT EARNINGS HELPED TO HOLD DOWN THE COUNTRY'S DEBT SERVICE RATIO.

4. BURMA' DEVELOPMENT PLAN, WHICH RUNS FROM 1978 TO 1982, SETS AMBITIOUS GROWTH TARGETS WHICH MAY NOT BE MET. HOWEVER, THE GOVERNMENT IS GIVING INCREASED ATTENTION TO THOSE SECTORS OF THE ECONOMY WHICH HAVE SUFFERED FROM NEGLECT OVER THE PAST DECADE. DEVELOPMENT PROJECTS UNDER THE PLAN, PARTICULARLY THOSE FUNDED BY INTERNATIONAL FINANCIAL INSTITUTIONS, OPEN A WIDE RANGE OF SALES OPPORTUNITIES FOR U.S. SUPPLIERS, AND U.S. EXPORTS TO BURMA IN 1978 ARE LIKELY TO DOUBLE IN VALUE WHEN COMPARED TO LAST YEAR. ALTHOUGH THERE IS NEED FOR FOREIGN CAPITAL AND TECHNOLOGY, THE INVESTMENT CLIMATE IN BURMA DOES NOT APPEAR ATTRACTIVE FOR U.S. FIRMS. AN EXCEPTION COULD BE OFFSHORE OIL EXPLORATION, AS THE BURMESE GOVERNMENT MAY NEGOTIATE EXPLORATION CONTRACTS WITH FOREIGN PETROLEUM FIRMS IN THE COMING YEAR.

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